

STATEMENT OF
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OFFICE OF THE ASSISTANT SECRETARY FOR
POLICY, MANAGEMENT & BUDGET
U.S. DEPARTMENT OF THE INTERIOR
ON
THE COMPETITIVE SOURCING INITIATIVE
BEFORE THE
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES

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Mr. Chairman and Members of the Committee, I appreciate the opportunity to discuss the Department of the Interior's (Department) Competitive Sourcing Initiative and the revised Office of Management and Budget (OMB) Circular A-76 (Circular).

We view the President's Management Agenda as a set of tools to help us improve the quality and cost-effectiveness of the services we provide the American people.

Competitive sourcing is one of those tools to enhance value for our citizens. Interior's competitive sourcing program emphasizes competition as a tool for enhancing performance. It also emphasizes the importance of periodic review of how we deliver services to assess whether we could serve the public better through re-engineering – through outsourcing or by maintaining existing structures. As we focus on how to best meet the public's needs, we are also focused on making certain that our highly dedicated employees are treated fairly.

The Competitive Sourcing Initiative asks agencies to effectively manage financial and human resources, and create the infrastructure necessary to routinely conduct public-private competitions. This effort requires agencies to make some careful choices. These decisions may affect real jobs, held by hard-working and loyal career civil servants. Competitive sourcing can bring about fundamental, and lasting, improvements to the way the federal government serves the public. Our challenge as managers is to show our employees how competitive sourcing can be a tool to advance the agency mission to which they are committed. As we generate efficiencies, our bureaus can re-invest in mission delivery any savings they generate by competitive sourcing.

The revised Circular greatly enhances the competitive sourcing program by focusing on competition to provide the best services at the best price. We believe the changes made to the Circular will help the federal government become more results-oriented, citizen-centered, and efficient. The new circular also reinforces employees' ability to compete by allowing them to reengineer functions with less than 65 full time employees (FTE), and by removing the presumption that "commercial" functions belong in the private sector.

After eighteen months of hard work by the Department and its bureaus, we are beginning to see real progress. To date, of the FTEs that we have analyzed, no involuntary separations have been necessary in the Department.

The Department also plans to study an additional 10 percent of our fiscal year (FY) 2000 FAIR Act Inventory FTEs by the end of 2004. The study plan for fiscal years 2002, 2003, and 2004 now equals approximately 25 percent of the FTEs listed as commercial in that inventory, or 7 percent of the Department's total employment.

I would like to add that competitive sourcing has proven economically beneficial to some of our former employees. In a review of federal employee lifeguards in Florida, the winning contractor hired all our former temporary and seasonal employees, and these employees report they are now working more hours for the contractor than they did previously with the Department (taking into account work performed both for the government and private sector clients), resulting in higher incomes.

The new Circular adopts a number of the Department's innovations, which we have used extensively with OMB approval to accomplish our competitive sourcing goals. For example, over 90 percent of the commercial functions in the Department involve less than 10 FTEs, and these functions are spread over 2400 locations nationwide. To provide employees in small functions a chance to compete, instead of facing direct conversion to outsource services, the Department developed the "Express Review" process. For functions with less than 10 FTEs, Express Review allows for an in-house bid based on the existing work force. The in-house bid is then compared to four existing comparable contracts. If the in-house bid falls within a competitive range of the four existing contracts, the federal workforce may continue to perform the activity without further competition.

In addition, the Department developed a streamlined competition process to allow for development of a “Most Efficient Organization” (MEO) in the many functions where we have less than 65 commercial FTEs. The MEO concept allows for re-engineering and improvement in a function and streamlined costing concepts for competition. It gives employees a chance to be better competitors.

OMB adopted both of these concepts in the new Circular. We believe that OMB’s endorsement of the Department’s streamlined competition processes enhances our internal program, allowing even our smallest functions to compete effectively.

As we have undertaken direct conversions at the Department, we have required our managers to provide written justification for why they selected the direct conversion option and why this action was in the economic best interest of the public. By requiring this, we have protected employees against any real or perceived unfairness or arbitrariness in competitive sourcing decisions.

The Department communicates on a frequent basis with employees involved in on-going and planned studies. We provide for monthly communication – through town hall meetings, e-mail, newsletters, or other means – with employees in functions that are under study. These efforts have proven effective. We also keep our Departmental Council on Labor-Management Cooperation informed about changes in competitive sourcing, and the progress of studies within the Department.

We anticipate numerous benefits from the new Circular, as compared to the previous approach:

- It reduces the time to complete competitions. Previously some competitions took from 2 to 4 years to complete. The new Circular sets achievable timeframes for completion of studies of any type (*e.g.*, 12-18 months for standard competitions and 90-135 days for streamlined competitions). Managers will now be held accountable for lengthy competitions that hurt morale and discourage non-government bidders.
- It gives managers the flexibility to achieve best value for the taxpayer by allowing the use of existing Federal Acquisition Regulation (FAR) Part 15 rules, including the use of cost and technical tradeoffs.
- It demands accountability. The Circular clearly states that the in-house winners of competitions must meet specific performance requirements.
- It eliminates the appearance of conflicts of interest by requiring firewalls between those preparing competitive sourcing documents required by the Circular, including the Performance Work Statement and the MEO.
- It helps agencies with costing analysis. The Department of Defense costing model, “winCOMPARE,” is now available to all agencies, and the new Circular requires use of this software for costing all studies.

The Department’s guidance for developing the FY 04 Competitive Sourcing Plan requested that each bureau reflect on the Department’s Strategic Human Capital

Management Plan and its Implementation Plan. The guidance further asked the bureaus to consider for competitive sourcing those functions where there are:

- High projected attrition rates;
- Significant skill imbalances;
- Recurring performance challenges; or
- Chronic skills shortages.

Bureaus were also asked to consider studying functions where a significant amount of contracting was taking place in other bureaus as well as those where competitive sourcing studies were already underway in other bureaus – providing each bureau the opportunity to derive a benefit from the work and experience of others.

We have invited our bureaus to re-submit their FY 04 Competitive Sourcing Plans to give them the opportunity to make adjustments based on the new Circular. We are also consulting with OMB on the appropriate way to handle the 64 Express Reviews that were underway at the Department when the new Circular was published.

Conclusion

In closing, the Department fully supports OMB's new Circular, and will continue competition to obtain commercial activity services in the most cost-effective manner while achieving best value for the American public. The Department's employees are among the Nation's most highly-trained and dedicated workers. We must work together

with the private sector to meet current requirements and to pursue innovative ways to carry out the many challenges we face in accomplishing our mission. We must continue to be creative as we implement the President's Management Agenda, and must ensure that we take full advantage of the best capabilities offered by both the public and private sectors.

We are assessing the best ways to accomplish our mission and, using competitive sourcing as a business management tool, we are testing our assumptions. As noted above, the competitive sourcing effort seeks to improve the way we do business.

This initiative has its challenges, but we believe our approach ensures fairness, effectiveness, and efficiency. Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you might have.